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New Research Explores Whether Women Have Equal Access To Angel Capital

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DURHAM, N.H. – Women entrepreneurs receive less angel funding than their male counterparts, partly because they seek funding at lower rates, and are more likely to seek funds from women angels than male angels, according to new research conducted by Jeffrey Sohl, director of the Center for Venture Research at the University of New Hampshire.

Sohl and co-author John Becker-Blease, a former UNH professor now at Washington State University, present the results of their research in the July issue of the *Journal of Business Venturing* in the article, "Do women-owned businesses have equal access to angel capital?" [The article is available for download.](#)

Women-owned businesses are the fastest growing sector of new venture ownership in the United States. Although women's access to and use of debt and venture capital financing have been explored, comparatively little is known about women's access to capital from private equity investors. As a result, the researchers examined the equality of women's access to angel capital.

The results suggest that women seek angel financing at rates substantially lower than that of men, but have an equal probability of receiving investment. The authors also found that women are more likely to seek, and to a lesser extent receive, financing from women angels.

The researchers found that the pattern of financing for women-owned businesses in the venture capital industry, where women receive only a small fraction of overall investment dollars, is similar in the angel capital market. However, the pattern in the angel market is indicative of the low rate with which women seek financing from angels, as only 8.9 percent of all proposals are brought forward by women-owned businesses.

"Indeed, with respect to the yield rate, we find no significant difference between the rates at which women-owned businesses are funded (13.33 percent) compared to male-owned businesses (14.79 percent). This raises the important question for researchers of whether the low rate of women-owned businesses receiving angel capital funding reflects a low submission rate," the researchers said.

One factor driving the difference in the rate at which men and women seek angel funding is homophily -- entrepreneurs demonstrate a strong preference to seek angel funding from angel investors of the same sex. However, when it comes to the awarding of angel financing,

the researchers found limited evidence of homophily.

“These results provide important support for the public policy suggestions that one means of improving the efficiency with which new venture funding is allocated to entrepreneurs is to increase the participation of women investors in early-stage financing markets. If women-owned businesses are more likely to submit proposals to women angels, then increasing the supply of women angels will encourage greater flow of women-owned business deals to investors, and thus greater participation of women entrepreneurs in the high-growth, high-return industries typically financed by private equity,” the researchers said.

Why so few women investors appear to participate in the angel market could be because there are very few women investors with the necessary expertise and experience to be effective providers of angel capital. Alternatively, women angels may perceive or experience barriers to quality investment opportunities compared to men angels and thus elect to participate in the market at a substantially lower rate than do men angels,” according to the researchers.

“Finally, women angels may participate more actively than our data suggest, but elect to do so outside of organized angel groups,” they said.

The researchers suggest future research examine the conditions under which women entrepreneurs receive angel funding. “Our evidence suggests that women-owned businesses and male-owned businesses must surrender relatively similar amounts of equity in return for investment. However, more detailed deal-level data could allow this question to be examined more thoroughly and also provide insights into whether and how proposals from women-owned businesses and male-owned businesses differ,” they said.

Deal-level data also could provide insights into the conditions under which investments into male-owned businesses and women-owned businesses are made. For instance, angel investors may provide different levels of guidance or monitor with different levels of diligence investments in male-owned businesses and women-owned businesses. Angel investors also may stage investments differently for male-owned businesses and women-owned businesses or have different exit strategies, the researchers said.

The UNH Center for Venture Research has been conducting research on the angel market since 1980. The center’s mission is to provide an understanding of the angel market and the critical role of angels in the early stage equity financing of high growth entrepreneurial ventures. Through the tenet of academic research in an applied area of study, the center is dedicated to providing reliable and timely information on the angel market to entrepreneurs, private investors and public policymakers.

The Center for Venture Research also provides seminars to angels and entrepreneurs, and research reports on aspects of the angel market are also available. For more information visit www.unh.edu/cvr or contact the center at 603-862-3341.

